

**Significant findings.** Section 893(f)(4) of the Ike Skelton National Defense Authorization Act for Fiscal Year 2011 defines the term “significant deficiency” to mean a shortcoming in the system that “materially affects” DoD’s and the contractor’s ability to “rely upon the information produced by the system that is needed for management purposes.”

The term "significant" is comparable to the term "material" as used in the context of [Generally Accepted Government Audit Standards](#). A significant deficiency is of such consequence or importance that it can increase the risk of unsuccessful contract performance. A significant deficiency can be established based on one criterion or several; e.g., a large number of small findings taken in their totality can be potentially critical to contract performance and thus significant.

Significant findings differ from minor clerical or posting errors or “mistakes” that can be easily corrected, usually on the spot. In such cases, the PA shall note in the PMSA summary if the finding was corrected.

The significance of a deficiency is often a question of degree, and so cannot always be determined by general propositions. For example, records or storage deficiencies that might be insignificant for most property may very well be significant for arms, ammunition, and explosives.

**Systemic findings.** Systemic deficiencies pertain to deficiencies that impact, or are found throughout a contractor’s management system.

Systemic deficiencies tend to be “hardwired” into a contractor’s procedures and systems. In such cases, even if an employee adheres strictly to the contractor’s procedures, deficiencies can still result. Systemic deficiencies are by their very nature considered significant. In contrast, however, significant deficiencies are not always systemic.

Systemic deficiencies can result despite a contractor’s sound written procedures. For example, the contractor deploys a new property management or information technology system; although the system is adequate in every respect, contractor employees are not sufficiently trained in its use (poor management or implementation). As a result, the system is fraught with data errors. In such cases, although the system is not “hardwired” to produce bad data, bad data is what it produces. This usually requires the contractor’s managerial personnel (FAR 45.101) to make substantive changes to the contractor’s overall operation.